



North East Scotland Pension Fund

**nespf**

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# Strategy Report

Quarterly Reporting September 2022

# 1. Background

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## 1.1 Quarterly Report to September 2022

The Pensions Committee will be comprehensively informed via this report as to the current position and any variances to the Funds strategy and recommendations.

In line with the structural review of the Pension Fund, six specific areas were identified to full address the strategic management of the Fund;

- Investment
- Accounting
- Benefit Administration
- Systems
- Governance
- Employer Relations

The roles and responsibilities within these areas have been very clearly defined to ensure accountability across the Pension Fund.

To support this support services updates covering the six strategic areas will also be available via [the secure website at http://www.nespf.org.uk/TheFund/Governance/fundgovernance.aspx](http://www.nespf.org.uk/TheFund/Governance/fundgovernance.aspx).

Also available on the Pension Fund website are all the policy documents that govern the Pension Fund including its various strategies.

## 2. Investment

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### 2.1 Asset & Investment Manager Performance Report

*Separate report, provided*

### 2.2 Local Authority Pension Fund Forum (LAPFF)

Copies of the latest e-bulletins, quarterly engagement and annual reports are available at <http://www.lapfforum.org>.

## 3. Accounting

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### **3.1 Aberdeen City Council Pension Fund (known as the North East Scotland Pension Fund) Annual Report & Accounts**

The above report will be presented to the December meeting of the Pensions Committee & Board.

#### **Budget/Forecast 22/23 Report**

*Separate report, provided*

## **4. Benefit Administration**

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### **4.1 Cost Cap Results**

On 29<sup>th</sup> June 2022, the Government Actuary's Department published the results of the first cost cap valuation for the LGPS (Scotland).

The cost cap was introduced by the Public Service Pensions Act 2013 and requires the setting of an employer cost cap rate against which changes in the cost are to be measured. If the cost changes and falls outside a two percent corridor above/below the rate, action must be taken to bring the cost back to the rate.

The results of the first valuation show that the cost has remained within the two percent corridor and therefore no changes to benefits or member contributions are required.

### **4.2 Pensions Dashboards**

The Department of Work and Pensions (DWP) responded to the consultation on the draft Pensions Dashboards Regulations on 14<sup>th</sup> July 2022. DWP are expected to lay the regulations before Parliament this Autumn.

The staging deadline for the LGPS will be deferred from 30th April 2024 to 30th September 2024. Pension Schemes will be expected to meet the required standards (connection, security and technical) and be able to respond to final requests, complete matching and provide administrative and signpost data on request. Administering authorities will need to be able to provide value data by 1<sup>st</sup> April 2025, to include:

- Provision of value data from an annual statement
- Provision of value data for new members
- Matching
- Management information and reporting
- Providing AVC data
- Annualised accrued value
- Changing normal pension age to retirement date

Work is already underway to ensure we are able to meet these requirements by the staging deadline.

## 5. Systems

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### 5.1 Performance Reporting

A new version of the quarterly PAS report will be brought to the December meeting.

Quarterly update covering the period to June 2022.

**Appendix II**, Pension Administration Strategy Report

## 6. Governance

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### 6.1 Scheme Advisory Board

Copies of the latest bulletins and meeting are available at <http://lgpsab.scot>.

### 6.2 Pension Fund Annual Benefit Statements

The North East Scotland Pension Fund has a statutory requirement to issue all active and deferred members with annual benefit statement information by 31<sup>st</sup> August each year.

In line with our continual progression towards increased digital communication, both active and deferred statements were issued online in 21/22. Paper statements are no longer posted out to members unless they contact the Fund and “opt in” to continue to receive paper copies. To meet disclosure requirements, letters are sent out to members to provide “activation keys” where the member is not already registered with My Pension (MSS online facility). As at June 2022 10,385 deferred members were registered for MSS. Members registered for MSS receive an email notification advising them that their annual statement is available to view online.

Benefit statement data was generated against 18,521 deferred records on 22<sup>nd</sup> June, with only one reported error, and letters issued to these members. In addition, paper statements were issued on request to 632 deferred members in the days following.

The Committee approved a Data Quality Improvement Plan in March 2019 (PC/MAR19/STRAT) which included address tracing. In line with the plan, a bulk tracing exercise for all “gone away” members i.e. those whom we do not hold a current address for will be carried out every three years using an external tracing provider. The Fund will utilise the services of Target as approved by Committee in December 2021 for member tracing.

In addition, a mortality check will be carried out against “gone away’s” annually using the National Fraud Initiative and ATMOS Data Services on alternative years to identify any deceased members. For “gone away” deferred members reaching age 55, an individual trace will be carried out through the DWP Tracing Service.

A final update on the active member statements will be provided to the next meeting. However 25,194 active statements were generated on the 8<sup>th</sup> August, with letters being posted on the same day and email notifications issued on 10<sup>th</sup> August for those members not registered for MSS or who have requested paper statements.

## **6.3 Pension Board Annual Report**

The Pension Board Annual Report 2021/22 was agreed by Pension Board members at their meeting on 24<sup>th</sup> June 2022. As part of the process, members were required to nominate and appoint a new Chair and Vice Chair for 2022/23. These posts need to be rotated annually under the regulations. Ian Hodgson (employer) was appointed as Chair with Morag Lawrence (member) acting as Vice Chair.

**Appendix III**, Pension Board Annual Report 2021/22

## **6.4 Document Update**

The below documents have been updated as part of the annual governance review process:

- Data Protection Policy (minor updates for clarity)
- Corporate Governance and Corporate Social Responsibility Policy (minor updates e.g. fund asset amount)
- Employer Engagement Policy (removal of temporary paragraphs relating to Covid-19 restrictions)
- Communication Policy (removal of temporary paragraphs relating to Covid-19 restrictions)
- Statement of Investment Principles (minor update to fund managers section)
- Governance Compliance Statement (updated to reflect changes in Committee structure from May 2022)

Copies of these documents are available on the secure area of the trustee website.

# **7. Employer Relationship**

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## **7.1 Forums**

The Fund will host its annual financial forum on 15<sup>th</sup> December. The scheme actuary will attend and discuss the 2023 tri-ennial valuation.

The annual administration forum is also planned for October with a change in format to include multiple smaller sessions which are more tailored to different employers.

## **7.2 Year End Process**

All scheme employers are required to submit an annual year end data return by 30 April. The year end process in 21/22 was completed in 23 days (down from 31 days in 20/21).

The Fund continues to expand its online data exchange services, with all employers required to submit electronic monthly submissions. Monthly processing has a number of benefits for the Fund, one of which is significantly reducing the time and resource drain at “year-end time”. To provide a more accurate overall picture, the employer relationship team record reconciliation time on a monthly basis. On average the ERT spent 7 days per month on reconciliation.